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JS: SNORWOOD
OSD: TBENNET

E.O. 12958: DECL: 01/27/2017
TAGS: [ECON](#) [ENRG](#) [PARM](#) [PREL](#) [IZ](#)
SUBJECT: (C) TUWAITHA YELLOW CAKE BUYER UPDATE

REF: A. A. STATE 163968
[1](#)B. B. BAGHDAD 4126
[1](#)C. C. STATE 169324
[1](#)D. D. BAGHDAD 2454
[1](#)E. E. BAGHDAD 1787
[1](#)F. F. BAGHDAD 734
[1](#)G. G. BAGHDAD 004227

Classified By: Economic Counselor Todd Schwartz, for Reasons
1.4 (B), (D) and (H)

[1](#)1. (S) SUMMARY: On Jan 25, 2008, a DOE and MNF-I team met with Iraqi Minister of Science and Technology Raid Jahid (FAHMI) to discuss next steps for Iraq to begin contract negotiations with a qualified buyer for the Tuwaitha yellow cake. Although Minister Fahmi and team are not yet ready to meet buyers directly, the Minister agreed with Energy Attache Parks' suggestion that discussions could begin this coming Wednesday, January 30, 2008, with the potential buyers via telephone. Parks agreed to arrange the calls with both known potential buyers, GE-Hitachi and AREVA. Fahmi stated his Committee agreed that Paris would be an appropriate meeting place (he has a French passport) and offered to meet with potential buyers as soon as he has a better idea of the exact quantity and quality of the yellow cake, an estimate of its value and an understanding of the entire process to prepare and ship the material to a specific buyer. He must have this information and brief the Council of Ministers (COM). DOE offered to help accomplish each of the tasks necessary before direct negotiations begin. Next steps include a possible experts discussion on Tuesday January 29 regarding development of a cost estimate, and a meeting to review the entire process with the Minister's staff later next week. END SUMMARY.

Iraqi Requirements to Begin Negotiations

[1](#)2. (S) Minister of Science and Technology Fahmi hosted on Jan 25 a late night meeting in his quarters at the Al Rasheed Hotel. Parks opened discussion with a general question regarding the first meeting of the Minister with his Committee as the group appointed to manage the yellow cake sale. The Minister responded that the first meeting had gone well, he had a second scheduled this coming week and he expected to move forward quickly. Parks emphasized that the critical objective for the US was for Iraq to engage in negotiations as quickly as possible in order to finalize a

contract with a buyer and allow the repackaged yellow cake to be delivered. While Fahmi agreed and understood the need to move quickly, he outlined the steps necessary to accomplish before he could enter into contract negotiations: 1) identify the potential buyers and seek a waiver if there are less than three; 2) know the exact quality and quantity of the yellow cake; 3) prepare an estimated value of the yellow cake to help Iraq in the negotiations; 4) understand the entire process the US has undertaken to repackage the yellow cake and to transport it from Tuwaitha to a buyer. On the first point, Parks recommended that Fahmi's committee start negotiations in parallel with preparing a request for waiver of the three bidder rule. Regarding the other points, Parks stated that he had a briefing for the Minister from the DOE Team at Tuwaitha providing an overview of the packing operations as well as an update on quantities and quality of the yellow cake. DOE was prepared to provide all the information it has from the 2004 assessment as well as current updates. Likewise, Boudreau noted that DOE is ready to work with MOST experts to develop a methodology for estimating the value of the material; however, DOE could not provide specific figures for Iraq to use in the negotiations. Fahmi was very interested in our experts working jointly on a methodology and suggested that he would brief his Committee and perhaps talks could begin on Tuesday, 29 January. Parks agreed this was a good idea and noted that DOE had had extensive discussions with AREVA experts recently and believes that AREVA will engage. Fahmi was pleased to hear this, especially as it might speed the waiver process to proceed even if there are not three bidders.

Buyers Phone Minister Fahmi?

13. (C) Parks reiterated that the US needs MOST to enter into direct contract negotiations as soon as possible. However, he asked the Minister if he would be willing to talk with potential buyers via phone Wednesday 30 January. After some discussion, Fahmi agreed he could accept the calls. He specifically asked about the value estimate development and DOE reiterated that its experts could work with his experts immediately (Comment: At the Tuwaitha site the DOE Team leader and Iraqi Technical Observers have already begun discussing a methodology for estimating the potential value of the yellow cake. End Comment.) The Minister also asked how the potential buyers could make an offer without detailed knowledge of the material. Boudreau answered that any offer would probably be a range of possible payment pending a final assessment of the material by the buyer in question. However, both known potential buyers had a significant amount of information from the 2004 assessment and DOE had spent significant time discussing technical issues with AREVA. The DOE Team on-site is preparing updated information on both the quantity, quality and packaging that should better inform potential buyers. At the end of the discussion, Fahmi again agreed to talk with the potential buyers via phone next Wednesday as a first step toward direct negotiations later in Paris. Fahmi did not expect any visa problems, but would contact the Embassy if the other committee members needed assistance getting visas for France.

Negotiations

14. (S) Throughout the meeting Fahmi raised issues related to the actual negotiations and his discussions with the Council of Ministers. Specifically, Fahmi noted the importance of his knowing the entire "process" for preparing and delivering the yellow cake to a buyer. He emphasized that it is very important for Iraq that the marketable yellow cake and the material that could be considered waste be sold as a package.

DOE assured him that in its discussions with potential buyers it had stressed this point as important to Iraq and the US. Fahmi asked several times about "insurance" for the material during transportation. Parks addressed this issue in general and requested that DOD provide a more detailed answer. (Comment: Fahmi has brought this issue up in the last two meetings as a question he needs to be able to answer for his government. End Comment.) Fahmi stressed that he needed to have his team attend the negotiations and be knowledgeable

of the materials so as to get the best deal for Iraq. Parks reiterated that DOE is ready to serve as the technical advisor for Iraq if the Minister chooses and also noted that he had provided a list of law firms with experience in nuclear contracts that could assist the GOI with the negotiations. Parks provided the name of an attorney working in the Embassy as an advisor on procurement who could assist in seeking necessary waivers to Iraqi contract rules. Fahmi thanked Parks for the assistance and stated that he intended to contact the lawyer next week. Fahmi indicated that he didn't view the waivers to the contract rules as a problem, since the Deputy Minister of Finance, a member of his Committee, is handling that issue. Parks suggested that the US would like to have a representative at the table during negotiations with the buyer in order to discuss transport issues as well as provide any other details. Fahmi understood the US request but reserved making a decision to a later date. (Comment: We expect he will need to brief his Committee. End Comment.)

15. (C) Regarding the internal Iraqi decision process to reach a final decision authorizing the US Military to move the yellow cake out of country, MNF-I representative Col Henderson asked the Minister if the authorization to move the material would come from the COM. Fahmi agreed that the final step is receiving an authorization letter from the COM; however, they have already agreed to the sale and only need the particulars of the deal so they can review, approve it and issue the letter. Henderson also provided Fahmi a schematic with key decision points in the GOI to receive COM authorization and Fahmi agreed to have his staff review it. Brigadier General Wendel commented that the work on site at Tuwaitha was proceeding very well, right on time and the key goal for us now is to take advantage of that good work and move the material from the site to the aircraft and to the buyer. This would maximize the benefits to both the US and Iraq.

Next Steps

6.(C) Fahmi and Parks agreed to communicate soon regarding the schedule for next week. DOE will plan to have an experts level discussion early in the week regarding cost estimates and a meeting later in the week to address outstanding issues. DOE will also work to arrange a telephone call from the potential buyers to Minister Fahmi on Wednesday 30 Jan 2008. Fahmi agreed that the US should attend a meeting with the full Iraqi Committee at some point in the next two weeks in order to maximize transparency on both sides.

17. (SBU) List of Attendees

GOI

Raid Jahid Fahmi, Iraqi Minister of Science and Technology

USG

Edgar Parks, Energy Attache

Brigadier General Kevin Wendel, Commander, 20th Support Command

Robert Boudreau, DOE/NNSA

Col James Henderson, MNF-I

Albert Walgreen, DOE

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